GOVERNMENT BUSINESS—(*Concluded*).

III. Bill to provide for the fostering and development of the Sugar Industry and for safeguarding Sugar-cane Cultivators in Mysore.

THE SECOND MEMBER OF COUNCIL explained the general principles of the Bill as follows :—

In view of the growth of sugar-cane cultivation in recent years and the increasing stimulus to the establishment of sugar factories, it is found necessary to take steps for the orderly development of sugar-cane production and of methods of securing co-operation between the sugar-cane grower and the factory owner. As the area under sugar-cane in Mysore will largely increase, especially in the Irwin Canal Area, need is likely to arise in the near future for more factories. Government have therefore considered it desirable that some control should be exercised over the establishment of factories for ensuring that the industry is organised as far as possible on lines which would make for its stability and for proper co-ordination of the interests of its agricultural and manufacturing sides and preventing unhealthy competition. The measures considered necessary for such control are principally the licensing of factories and the fixation of a minimum price at which sugar-cane shall be purchased by a factory, thus ensuring to the agriculturists a reasonable price for their cane.

How many factories should be established in a particular tract and where they should be erected are matters of vital importance in the interests of both agriculture and manufacture, and overcrowding of factories with all its consequences has to be prevented. The tariff on foreign sugar was imposed by the Government of India primarily to help the cane grower and it is an important duty of Government to intervene to see that the cane grower gets a reasonable value for his produce and that the benefit of the tariff reaches him. Since the factories also get the benefit of the protection, Government should have statutory power to demand the submission of information from the factories regarding their working.

To secure these objects, Government consider it expedient to introduce legislation for the fostering and development of the sugar industry in Mysore, to take power for the purpose of controlling and regulating factories engaged in the manufacture of sugar and for the safeguarding of the interests of sugar-cane growers and cultivators.

It is proposed to prohibit the establishment and maintenance of factories without license and empower the Government to license factories and to prescribe conditions. in respect of the place where the factory is to be located, the area of its operation and the price or prices at which the factory should purchase the sugar-cane. Penalties are provided for contravention of the provisions of this measure. Certain safeguards are also provided, such as previous sanction for prosecution under this law and the trial of cases thereunder by a First Class Magistrate.

The object of the Government is to enact legislation for the protection of sugar industry in the State. The reason for such a legislation and on what lines the legislation should be framed have been indicated in the statement of general principles placed before the House. There are three main reasons why legislation of the kind proposed is necessary. First, to restrict the increase in the number of factories with a view to avoid unhealthy and cut-throat competition as was evident in the case of ginning factories for instance; secondly, to organise the industry and place it on a stable basis before the expiry of the period of protection afforded to the industry by the Government of India; and thirdly, to safeguard the interests of the sugar-cane growers by assuring them certain reasonable rates for the cane they grow.

The next point to be considered is the manner in which the measure should be enforced. With a view to the orderly development of the factories and to safeguard the interests of the raiyats, it has been proposed to empower the Government to issue licenses for the starting of factories and to prescribe the conditions under which as well as the places at which such factories may be started. By such an arrangement, the number of factories may be reduced and unhealthy competition avoided. There will be no difficulty in giving effect to such an arrangement. There is provision, for example, in the City and Town Municipalities Regulation for granting licenses to start factories. A similar procedure may be followed in the case of the sugar factories also. While considerations of sanitation prevail in the case of licenses for factories in municipalities, the sugar factories will have to be controlled with the sole view that the industry develops on proper lines.

A question may be raised as to the necessity for legislation so far as this industry is concerned when other industries are not similarly protected. To this, the only answer is that the Government of India have given protection to this

industry for a short period within which the industry must be developed and stabilised.

MR. G. MALLANNA enquired how it was proposed to control and develop the industry on the lines explained by the Member.

THE SECOND MEMBER OF COUNCIL replied that Government would be empowered to license factories, prescribe conditions in respect of the places where factories could be opened and the price which they ought to pay to cane-growers and that penalties would be imposed for transgression of the law.

MR. V. V. IYER enquired why the price of sugar also should not be fixed.

THE SECOND MEMBER OF COUNCIL replied that it was a world factor and as such it would not be possible to do so.

MR. S. C. MALLIAH enquired whether such a legislation had been enacted anywhere else.

THE SECOND MEMBER OF COUNCIL observed that the policy of protection itself was new to India. Originally steel industry was enjoying protection and it had recently been proposed to protect the cotton industry. So the question of legislation had not arisen so far.

MR. G. CHANNAPPA enquired what the resolution of the recent Simla Conference was in the matter of legislation to protect the industry.

THE SECOND MEMBER OF COUNCIL replied that the Conference was unanimously agreed in the matter of the fixation of the prices though some of the delegates thought that there was no necessity for zoning.

MR. N. G. SANJEEVIAH enquired why prices were not proposed to be mentioned in the Regulation but were left to be prescribed under the rules to be made in future.

THE SECOND MEMBER OF COUNCIL replied that it was always usual to take a general power under a Regulation, reserving details to be prescribed under rules. It was not possible to say what the prices would be in a particular year and how they would have to be adjusted as they would have to depend upon various conditions prevailing at the time.

MR. P. SUBBARAMA CHETTY enquired if it was not a fact that neither zoning nor fixation of prices was agreed to by the Conference. He also read out a newspaper extract in support of his enquiry.

THE SECOND MEMBER OF COUNCIL replied that, as a member of the Conference, he was fully conversant with the discussions that took place and that members need not

bother themselves with what appeared in a newspaper. The sub-committee had said that the fixation of prices must be done. But how it should be done—whether by licensing or otherwise—came up for consideration, and in that connection, incidentally the question of zoning also came up, but that was not considered necessary.

MR. N. G. SANJEEVIAH thought that even fixation was thought of with a view to ensure adequate profits for the factory owners and not so much to secure the interests of the raiyats ; in fact he had heard that the Conference did not discuss any question from the point of view of the raiyats.

THE SECOND MEMBER OF COUNCIL said that it was not so. As a matter of fact, the representative of the United Provinces Government had prepared a draft Bill in which the fixation of prices in the interests of the cane-growers was the most important factor.

One of the members enquired whether the standard of cane had been specified.

THE SECOND MEMBER OF COUNCIL replied that so far as the standard of cane was concerned, there was not likely to be any difficulty in Mysore as one particular healthy variety of cane had been popularised already in several parts of the State.

MR. MADE GOWDA, CAPT. Y. V. AYYA and some other members enquired whether the small sheds in the villages in the cane area where jaggery was manufactured would also come under the purview of the proposed law, simply because 20 or more persons were employed in the process.

THE SECOND MEMBER OF COUNCIL replied that the word " Factory " had been defined in the Bill so that those that were treated as factories under the Factory Regulation would alone be regarded as factories for purposes of this Bill.

MR. BAGAMANE DEVA GOWDA was of the opinion that when not even one sugar factory was actually started in the State, there was no need for legislation of the kind proposed. Secondly, with this session the term of the present Assembly would expire and a new House would soon come into existence. It was therefore better to start the factory in the first instance and if any difficulties were experienced in its working, to introduce legislation later on with a view to remedy them.

MR. L. VEMA REDDY said that it was a matter which affected the raiyats in a number of villages. Some measures

might look useful at the outset, but very soon it might be found that they had increased the difficulties rather than diminished them. He was therefore not in favour of the Bill.

THE SECOND MEMBER OF COUNCIL observed that the object of the legislation was to restrict the number of factories with a view to avoid competition. It was always better to prevent an evil than allow it to occur and then try to avert it.

MR. G. GIRIMAJI RAO enquired whether the problem of unemployment would not be solved if a number of factories were started.

THE SECOND MEMBER OF COUNCIL did not think that the question of unemployment would be solved by having a number of factories. On the other hand, there would be cut-throat competition and all concerned would be ruined. That had been the experience in the past, for example, in the case of rice mills, ginning factories and motor bus services. That experience had to be made use of and this new industry protected from the outset. He was told that in Orissa, there were a very large number of factories started within short distances of one another, with the result that not one factory received a sufficient supply of cane and cut-throat competition did arise. Such a situation ought not to be allowed to arise in Mysore also.

MR. J. MAHOMED IMAM enquired if it was a fact that with the exception of Behar, all the other States were in favour of legislation.

THE SECOND MEMBER OF COUNCIL replied in the affirmative. But even in Behar, opinion had begun to express itself in favour of it.

MR. B. SITHARAMAIYA asked if there was any obligation on the part of the raiyats of the cane area to grow sugar-cane only.

THE SECOND MEMBER OF COUNCIL replied that there was no such obligation.

In thanking the Government for the proposed legislation, MR. M. C. LINGE GOWDA said that Government had spent lakhs of rupees on the Irwin Canal, introduced the Block System and had brought about 120,000 acres of land under cultivation. Sugar-cane could be grown on 40,000 acres. Already in the Mandya and Maddur Taluks, nearly 6,000 to 7,000 acres of land were under cane cultivation and in March or April next the cane would be ready. It must be purchased by the Government at the price of Rs. 12 per

ton as promised. To secure them this price, Government must proceed with the legislation. Otherwise all their efforts in the past would go in vain.

It was argued by some that the greater the number of factories, the greater would be the facilities for the raiyats. In his opinion, that was not a sound argument. If one factory was started and if it worked well, others would follow suit indiscriminately and ruin the raiyats.

Continuing, the speaker said that it was necessary to appoint a Sugar Committee in the State. The legislation proposed was also very necessary.

In conclusion, he appealed to the members to encourage the raiyats of their places to take to sugar-cane cultivation. The protection afforded by the Government of India was only for 7 years and it was up to one and all concerned to make the best of this opportunity.

MR. P. SUBBARAMA CHETTY thanked the Government for the intentions underlying this Bill which sought to promote the welfare of the sugar-cane grower, the factory owner and the consumer. But though the motive of Government was good, he was afraid that the Bill would not serve to advance the interests of all the three classes, since there was not the means to give effect to their object. This was a very important Bill affecting the manufacture of sugar, an article of food consumed by almost everybody. But he did not know what purpose would be served by placing the measure before the present Assembly which was at its last session and when there was no scope for the Bill to pass through all the stages necessary before it became law. As both the Assembly and the Council would be reconstituted in March next, he thought it would be proper to postpone the consideration of the measure and bring it up at the first meeting of the new Assembly in June next.

Mr. Subbarama Chetty said that he was carefully following the explanation of the Bill by the Member of Council but was not at all convinced about the reasons adduced in favour of the proposed legislation. Referring to the recent conference held at Simla on the question of development of sugar factories, he said that though it was attended by the Directors of Industries from different provinces, many factory owners and several non-official representatives, none of them was keen about passing a legislation in the matter. The conference did not pass any resolutions as such but dispersed after a mere exchange of views.

Referring to the merits of the Bill, the speaker said that there were 4 points on which the opinion of the members was called for :—

(1) Licensing of factories ; *i.e.*, no factory could be started without taking a license from the Government.

(2) Zoning ; *i.e.*, as soon as a factory was started, the areas from which alone it should purchase cane would be defined.

(3) Fixation of a minimum price at which sugar-cane should be purchased by a factory.

(4) Making it obligatory on the sugar factories to furnish any information required by the Government.

As regards the Second Member's statement that the Government of India were anxious that the sugar-cane growers must make more profits, he asked who, whether the purchaser or the seller, would be in a more advantageous position when there was a single purchaser and many sellers. As a result of the licensing system, the number of factories would be very limited and naturally the sugar-cane grower could not get the best price for his commodity. Unless the demand was proportionate to the supply, the grower could not get a decent price. This would be possible only when a number of factories sprang up. So he thought that this Bill would not help the raiyat to the extent that it was intended to do.

It was also said that licensing of factories was meant to prevent cut-throat competition among factory owners. A sugar factory would require lakhs of rupees to be sunk into it and generally no single person would undertake it. When two or more persons jointly invested a large capital, they would naturally use their combined intelligence to organize it on sound lines, and it was not likely that they would indulge in unhealthy competitions and ruin themselves. It was therefore not desirable to restrict the growth of factories under the licensing system.

As regards fixation of prices, Mr. Subbarama Chetty thought that it would be next to impossible to fix it by artificial means. Because in the same area, there might be differences in the quality of the cane produced. Besides, the charges for the transportation of the cane from the field to the factory might vary and the man who had to transport it from a longer distance would suffer under this system. So it would not be reasonable to fix the same price for one entire area. Another disadvantage was that when there were limited number of factories with many growers to supply cane, the latter would be tempted to offer discounts to the purchaser, though surreptitiously, so as to find a sale for

their produce. Besides, a big factory consuming thousands of tons of cane might have necessarily to purchase cane through commission agents; and these latter would have to be paid their brokerage both by the seller and the purchaser. So, when there was the middle man's profit to be reckoned with, the raiyat could not get the benefit of the minimum rates fixed by the Government.

Speaking of zoning, Mr. Subbarama Chetty said there were several practical difficulties to be faced. He wanted to know what steps were proposed to be taken to secure a guaranteed supply of cane of the right quality for each factory. If, on the other hand, more sugar-cane than could be consumed in the area was produced, what should happen to the surplus product? There was also the question of harvesting the cane in proper time; otherwise the sugar content would be comparatively less. Though this Bill was conceived in the best interests of the raiyats, he was afraid that it would not help anybody. There were 30,000 to 40,000 acres available for sugar-cane cultivation, and seeing that 3,000 acres would suffice for supplying one factory, there was scope for 15 factories to spring up. So it was unnecessary to pass a legislation checking the growth of such factories. Besides, the present time was inopportune for passing a penal legislation of the kind proposed. After all, even if a small State like Mysore passed a legislation, there would be no benefit unless bigger provinces also did so.

Lastly, there was the question of foreign competition. Seeing that in foreign countries the cost of production was very cheap, they might even under-sell foreign sugar and kill the local industry. So there was no use imposing restrictions on local enterprise by legal enactments. And even if the legislation was passed, he was afraid that it would be impossible to give effect to it. He would therefore counsel patience and suggest watching what other provinces would do in the matter.

For these reasons, he requested the Government to withdraw the Bill for the present.

Mr. L. Vema Redey represented that the members were not clear in their mind about the various provisions of the proposed Bill. He thought that it was desirable for the Government to circulate the draft of the Bill before the Assembly could express a definite opinion on it.

The Dewan explained that the Assembly members were entitled to express their opinion only on the general principles of the measure and that they need not concern

themselves with the details of the Bill which were the concern of the Legislative Council.

MR. L. VEMA REDDY, however, thought that as it was a legislation vitally affecting the interests of the raiyats, they were not inclined to commit themselves to it before examining the question in greater detail. He was of opinion that the matter could wait for some time. The previous speaker who had made a thorough study of the question had pointed out all the practical difficulties and they deserved very careful examination.

Khan Bahadur MAHOMED ABBAS KHAN supported the Bill. He pointed out that Government had mentioned clearly that this Bill was primarily meant to safeguard the interests of the raiyats and it was up to the Assembly to accept that assurance or dispassionately examine how far their interests would be safeguarded. The Government had not fixed maximum prices but only the minimum so that the raiyat might always be sure of an adequate return for the sugar-cane grown by him. Such a protection was necessary; otherwise the factories might combine and force the grower to under-sell the produce. He stressed the fact that this legislation would not at all affect the manufacturers of jaggery or red sugar or a factory which employed less than 20 people. In this connection, he cited the instance of what had happened in Mulbagal and other places in the Kolar District about 20 years ago, when there were some sugar factories there. The factory owners were advancing moneys to the growers and purchasing sugar-cane at very low prices. In Mulbagal alone there were 8 to 10 factories. Advances were given; but the accounts were not settled for years together. Meanwhile, interest and compound interest were mounting up, the raiyats could not get out of the clutches of the factory owners, and ultimately, they were all ruined. And it was to protect the raiyats from such a position that Government had come forward with a Bill like the one under discussion. Even if there were some minor inconveniences from the points of view of the sugar-cane grower and the purchaser, he had no doubt that they could be set right as and when experience was gained.

As regards the objection raised by certain speakers that legislation was premature in the State, he said that it was necessary for the State to take full advantage of the tariff on foreign sugar imposed by the Government of India which would be in force, as at present understood, for the next 7 years; and there was also a possibility of this protection

being extended for a like period thereafter. It was up to the State to take time by the forelock and show to the Imperial Government that with further help it would be possible to establish the local sugar industry on a firm basis. The immediate object of the Bill was to encourage and safeguard the sugar-cane cultivation in Mysore. He therefore thought it a duty of the Assembly to give its whole-hearted support to the Bill.

MR. K. IBRAHIM KHAN also heartily supported the Bill as it was intended to foster and develop a local industry like sugar manufacture. He said that in the interests of the raiyats, it should be brought into effect very early.

MR. N. G. SANJEEVIAH said that people were rightly pessimistic about the success of the sugar industry in the State because most of the concerns started by the State had not been successful. He was sorry to hear that even the Government Soap Factory which had been making good profits for a long time had suffered a set-back in recent months due to competition. That was perhaps the reason why the Government wanted to safeguard the sugar industry by means of legislation.

He was not sure that the system of zoning contemplated in the Bill would be in the interests of the raiyats. Under the Irwin Canal itself, there were 40,000 acres available for cultivation which might yield about 60 lakhs of tons of sugar-cane. He was not sure whether the proposed factory could make use of so much of sugar-cane. He feared that the factory would begin to reject cane on some plea or other because it would not require the full quantities offered.

As regards fixation of prices, he was afraid that it would not be feasible to fix a reasonable minimum favourable to the raiyat. In view of the heavy overhead charges of the factory, the Government would be tempted to favour the factory by fixing the prices as low as possible.

Referring to the observation that this Bill was conceived solely in the interests of the raiyats, he remarked that it was doubtful whether any candidate would get returned to the Assembly if he sought election on that ticket. At present there were several small factories employing more than 20 men and they would all be penalised under the Bill. He asked whether that was one of the ways of safeguarding the interests of the raiyats. He did not think that any disadvantage would accrue to the State by allowing factories to spring up freely. Should there be unhealthy competition among them, they alone would suffer and not

the raiyats. On the other hand, if the number of factories was limited, the grower would be compelled to be at their mercy to find a sale for his cane.

From every point of view, the raiyat stood to lose by legislation in this matter. Why should Government care if too many factories sprang up? That would help the cane-grower to go from one factory to another and secure the best possible price.

The speaker next said that the very fact that Government had taken power to fix the prices under the rules and not prescribed them in the Regulation, was open to suspicion. He instanced the case of the levy of road cess on motor buses under such a power, which worked to the detriment of the motor bus owners.

Simply because the newly started sugar factories were thriving well in Northern India, he was not prepared to say that they would thrive in Mysore also for the reason that the wages in Mysore were double those obtaining elsewhere. Besides, there was a possibility of sugar from Northern India being dumped into Mysore and in such an event, the Government of Mysore would have no power to prevent it.

Another possibility to be considered in this connection was that of withdrawal of protection by the Government of India at a future time. If that happened and foreign sugar began to be dumped in, the Mysore State would be in a helpless position. It had no power to pass a Regulation preventing it.

Finally, there was the well recognized principle that in all matters affecting the interests of the people, wide publicity should be given before passing any such legislation and public opinion elicited. On that ground also he said that there was no justification for Government to launch on the proposed legislation without notifying it to the people sufficiently in advance.

For these reasons, he opposed the proposed measure.

Mr. S. Visveswara Rao was of the opinion that no good would accrue from the proposed legislation. He was surprised that Government should have thought of legislation before even one factory had come into existence. Government, no doubt, aimed at protecting the sugar-cane grower. But they had to make sure that sugar manufactured in British India would not be dumped into the State; secondly, if there was a surplus in the local manufacture there should be no restriction against exporting it to other parts of India.

There was a justification for the U. P. Government in passing a legislation because there were already 22 factories there, but he thought that there was no need to think of it in a State with but a single factory. He was told that there were similar factories in Bihar and Orissa, Bombay, Bengal, Sind and the Punjab, but he did not think that legislation of this kind had been framed in any of those provinces. If it was introduced in Mysore under the existing circumstances, he was sure that the cultivator alone would suffer. If the supply was large, the demand also should be increased and that would be possible only by allowing a large number of factories to spring up. But the measure would render such a thing impossible.

So far as the consumer's interest went, he would buy from the cheapest market. So the growth of the industry in Mysore could be assured only when the State got the power to impose a protective duty on all sugar imported into the State. In the absence of such a protection, he said it was no use introducing the licensing system in the case of local factories.

In this connection, he described the position occupied by ancient India so far as the sugar industry was concerned. In 1846, she was exporting 60,000 tons of sugar. In 1902, the quantity of sugar manufactured was 2 lakhs of tons. But the country was obliged in the year 1909-10 to import 6½ lakhs of tons of sugar. The country had been driven gradually to the present condition in which most of the sugar consumed had to be imported into the country. So much so the Government of India were able to realize by way of customs duty alone about Rs. 825 lakhs annually. So long as the Mysore Government was powerless to levy a protective duty, he did not think it possible to develop the local industry.

The average raiyat was in a precarious condition. The need for scientific manuring had not yet appealed to him and so he was not sure of an adequate return for his crops. Such a man should not be subjected to any further risks. Let there be a good number of factories first, and let legislation follow, if necessary. At any rate, the present time was not opportune for passing the proposed legislation. He therefore opposed the Bill.

Mr. B. S. Puttaswamy who was in favour of the Bill dealt with the objections advanced by some of the previous speakers and explained the position as follows:—

In the absence of the proposed legislation, the raiyat would be forced to manufacture only jaggery out of the vast

quantity of sugar-cane grown in the Irwin Canal area and it was a well-known fact that the market for jaggery was not at all paying. The remedy for it lay in the manufacture of sugar and not jaggery. At least in the earlier stages, it was absolutely necessary to safeguard and protect a nascent industry like sugar manufacture from unhealthy competition among the local factories. Such protection would be secured by the proposed legislation.

So far as the interest of the raiyats went, he said that it would not suffer in the least since the minimum price alone would be fixed and not the maximum. No better evidence was needed to show that the object of Government was to protect the sugar-cane grower more than the sugar manufacturer.

As regards the criticism that it was too early to think of legislation in the matter and that the Sugar Factory like some other Government concerns might be a failure, he said that Government anticipated future troubles and were preparing to meet them from now. Now that the Swadeshi spirit had pervaded the country, he would exhort the members to guard against the inflow of outside capital by supporting the proposed legislation, even if it involved some sacrifice on the part of particular interests or persons.

With regard to the fear expressed by some of the members that there was no possibility of consuming all the cane that might be grown, he said that whatever number of factories were necessary for buying up all the cane would surely be brought into existence.

With regard to the objection that the fixation of prices was not made in the Regulation itself, the speaker said that it was impossible to do so since the prices of any commodity were sure to fluctuate from year to year and from season to season.

He agreed that if the Government had placed the draft Bill before the Assembly, many of the misapprehensions could have been easily removed. But now that there was no time for it, he appealed to the members to leave that matter to the Legislative Council and accept only the general principles of the measure.

Mr. K. T. Bhashyam Aiyangar said that he would support the Bill with a patriotic motive. He explained that time was when the country was manufacturing all the sugar required for its consumption. But owing to foreign competition and a variety of other causes, the industry died a natural death, and the country had to depend upon foreign

sugar. But thanks to the tariff on foreign sugar just imposed by the Imperial Government, there was a possibility of the benefit thereof reaching both the grower and the manufacturer.

Mr. Bhashyam Aiyangar thought that a legislation was necessary to prevent cut-throat competition. Otherwise, the industry would suffer a set-back and foreign sugar would again begin to flow in.

He next wanted to know what the system of zoning, mentioned in the Bill, meant.

THE SECOND MEMBER OF COUNCIL said that under the zoning system the sugar-cane grower was free to take his cane to any market which was most favourable to him; it would only prevent the manufacturer from going outside a particular area for purchasing cane.

MR. K. T. BHASHYAM AIYANGAR said that in that case, he would whole-heartedly support the idea of zoning. All the same, he thought it necessary to see that the growers would not be put to loss in case they grew more cane than the factory could consume.

THE SECOND MEMBER OF COUNCIL said that that difficulty would exist whether there was a Regulation or not. This Bill would neither remedy the difficulty nor add to it.

As regards price, MR. BHASHYAM AIYANGAR asked how the Government proposed to adjust prices when the cane supply was abundant, such as at the time of harvest. The factories might not be able to resume the entire supply and so might offer very low prices, and the growers would have to accept such prices simply because, if they kept back the supply, they would lose even that return.

THE SECOND MEMBER OF COUNCIL replied that prices would be fixed on the ascertained average price of sugar. There would always be a relation between the price of sugar and the price of sugar-cane; and on that basis, the price of sugar-cane would be fixed periodically by a committee to be appointed.

MR. BHASHYAM AIYANGAR said that all that he was particular about was that, whatever the profit, it should be shared by the grower and the manufacturer.

In conclusion, the speaker said that the main reason why he supported the Bill was that it was the first attempt in the State at nationalizing an industry. He wished the attempt every success and hoped that Government would try to nationalize all other industries in the State on the same lines. He also felt that in the case of other industries also,

instead of having too many factories, if the people could pool their resources and start big factories, better benefits would accrue to the State as a whole.

At this stage the Assembly rose for lunch and met again at 3-30 p.m., Rajamantrapravina Diwan Bahadur K. Matthan, First Member of Council, presiding.

MR. T. MARIAPPA, in supporting the measure, observed that the apprehensions entertained by some opposers were groundless. For instance, fear was expressed that because a license should be obtained before starting a factory it would not be given as a matter of course. But, he for one did not think that there was any reason for such a fear. What was sought to be done under the proposed measure was to prevent the indiscriminate starting of factories and to ensure proper supply of cane to factories started. It was also feared that, as in the case of some other Government concerns which had failed in the past, the Sugar Factory also might fail. But that showed that the need for legislative provision to regulate the growth of sugar factories was all the greater in the interests of all concerned. Prevention was better than cure. Other provinces in India had felt the need for such legislation owing to the rise of several factories there. He did not also know why it was feared by some members that the proposed measure would be detrimental to the interest of cane-growers. Up till now, not one such private enterprise had been started and worked. So there was no data for entertaining such a fear. There were very few rich people in Mysore State to undertake establishing such a factory. If on account of the paucity of local men to start sugar factories large capitalists from outside came and started them here indiscriminately, there would be unhealthy competition as a result of which cane-growers would be put to much loss. A measure like the one proposed was necessary to prevent such a contingency. At the same time, the member pointed out that the definition of " Factory " required to be liberalised so as to apply to concerns employing not less than 50 members instead of only 20 as proposed now. He also suggested the appointment of a committee consisting of representatives of cane-growers, factory owners and the non-official public to have a voice in the administration of the proposed law as was proposed to be done in the United Provinces. But these were matters of detail which could be gone into in the Legislative Council. On the whole, the proposed measure was certainly advantageous to the several

interests concerned. He therefore commended the measure for the kind acceptance of the House.

MR. S. C. MALLIAH also supported the measure. He thought that some opposers were under the impression that Government brought forward the measure only to safeguard the sugar factory that they had started. Even if that were so, he did not see anything wrong in it. The capital invested on the industry was about Rs. 12 lakhs; it was the raiyats' money, and therefore it was the duty of the Government to see that the money sunk did not go to waste.

To him, the two laudable objects of the proposed measure seemed to be to prevent outsiders from establishing factories here and carrying away large profits and to prevent unhealthy competition amongst the local factory owners. It was the duty of Government to safeguard the interests of persons who might not be well-informed in such matters.

MR. W. H. HANUMANTHAPPA observed that there was no use carrying on an academic discussion on the Bill. The broader aspects of the question deserved to be considered first. There was an unprecedented economic depression all the world over and even the world conferences convened by best brains with a view to devise measures to tide over the crisis had failed. While that was so, he did not know how an artificial attempt like the Bill would make for the permanent happiness and prosperity of the raiyats. Further, the step taken by Government did not appear to him to be nationalistic as remarked by a previous member, but it seemed certain to result in the curtailment of individual freedom; from that point of view he resented the measure. Every person concerned must be free to adjust and re-adjust his own affairs and it was the business of a representative institution like the Assembly to guarantee that liberty and freedom of action. If legislation was sought to be introduced in respect of one particular industry, there would have to be legislation for all other important industries as well, which was certainly not worth the while of Government. With these words, he opposed the Bill.

MR. D. S. MALLAPPA regretted that Mr. Bhashyam Aiyangar who at first explained the various difficulties of the raiyats and factory owners under the proposed measure, should have supported it at the end. Although the intentions of Government were good, the question how far it would be possible to achieve them by means of this Bill had to be considered dispassionately. For instance, the Government wanted to assure the agriculturists of a reasonable price

for their cane by the fixation of a minimum price at which sugar-cane should be purchased by a factory. If the raiyat should get a reasonable price, there must be a number of purchasers. That meant that there should be a number of factories. But the measure prevented the growth of more factories. In that way this object could not be secured by this Bill. Secondly, the factories were required to submit periodical returns to Government, and thirdly, they were bound to produce any reports and documents that might be called for by Government. As regards these provisions, it was necessary to remember that no business-man would really be prepared to let out his commercial secrets to Government who might make use of them in their own concern. So there would be no scope for other factories to start and thrive. Hence he did not know how the object of the Government could be secured.

It had been ascertained that there was scope for 15 to 20 factories in Mysore; it had also been calculated that for providing supplies to one factory, the cultivation of about 3,000 acres of land with sugar-cane was necessary. Sugar-cane cultivation was carried on on an extensive scale in the State and there would be cane enough to feed a large number of factories. But, when there was no scope at all for so many factories to be started due to the restrictive provisions of the Bill, he did not know what would become of the large quantity of cane grown. So, in his opinion, legislation at the present stage was both unnecessary and harmful.

THE SECOND MEMBER OF COUNCIL thought that there would be no use taking action when it was too late. On the other hand it would be better to be prepared to meet possible contingencies. And even though action was proposed to be taken from now, the law would take not less than two years more to come into force.

MR. D. S. MALLAPPA did not mind even if it took 10 years to come into force. First there must be circumstances necessitating the forging of any measure. Instead of that, if the Government introduced legislation now alone, it would certainly give room for the apprehension that they did not want any other private factory to thrive in the State.

There was yet another difficulty. It was said that the rates at which sugar-cane should be purchased by a factory would be fixed. Suppose the rate was once fixed for one area and prices fell elsewhere owing to conditions over which the State had no control; and suppose the purchasing factory declined to purchase the cane at the fixed rate which

was comparably higher; in such an event, the interest of the grower would surely suffer. Higher prices could never be secured unless a number of efficient factories sprang up. Otherwise the cane-grower would be entirely at the mercy of the purchasing factory; he would have to accept whatever prices were offered, the Government rates being mentioned on the Bills merely to satisfy the requirements of the law.

In conclusion, the speaker said that the measure in Mysore was not called for at the present moment when not even one factory had been started. Many experienced men who were present at the Simla conference had given the opinion that legislation was unnecessary. If legislation was so advantageous as now depicted, he did not know why all of them had opposed it. With these words, he requested the Government to withdraw the Bill.

MR. B. GOPALACHAR, in supporting the measure, said that though there was a difference of opinion about the advantages of legislation as proposed, there could be no two opinions in regard to the objects underlying the Bill. It was a preventive measure and was absolutely necessary. There was no reason to suspect that license might not be given for starting the required number of factories. Further, by the fixation of a minimum price, the interests of the raiyats were proposed to be safeguarded and so the measure would prevent unhealthy competition. Further the proposed measure sought to protect an indigenous industry and was therefore very necessary.

MR. P. SITHARAMIAH, in opposing the measure, observed that the objects of the Bill were to foster and develop the sugar industry and to safeguard sugar-cane cultivators in Mysore. He was not convinced that these objects would be fulfilled by the means provided in the Bill. In spite of protection to Indian sugar, he was afraid that foreign sugar would continue to sell cheap. There was sure to be keen competition and he did not know how it could be obviated by the measure proposed.

Further, if there was only one factory, the cane-grower would be at its mercy; the proprietor would dictate his own terms. But, if there were more purchasers, it would be all the better for the growers. That was an undoubted economic theory. And even if Government would intervene and fix the price from time to time, statutory action in the matter would not be conducive to the interests of anybody concerned. Market conditions were certain to adjust themselves in a particular way in spite of Government interference.

Then again, the Bill enabled Government to pry into the secrets of other factories by calling for returns, reports and documents, and this was undesirable. On the whole, he was tempted to view the measure as a capitalistic and not socialistic piece of legislation. For these reasons, he was not in favour of it.

MR. M. S. LINGE GOWDA supported the measure. Referring to the objection raised by some of the members against the system of licensing, he said that licenses were only meant to prevent cut-throat competition.

As regards the other objection that action as proposed might be deferred till other Governments had taken similar action, he thought that the Model State of Mysore need not wait for others to lead. He was sure that, sooner or later, other Governments would also introduce similar legislation.

There was one distinct advantage to be derived by the raiyat under the proposed measure, namely, that the sugar-cane grower could be sure of getting a certain minimum price for his cane. Another advantage of the measure, was that factories would be evenly distributed throughout the State and so overcrowding as well as unhealthy competition would both be effectively prevented.

The proposed law would provide adequate inducement to sugar-cane cultivation and to that extent paddy cultivation would decrease. Incidentally, therefore, malaria also would be checked; and this served as yet another benefit accruing from the measure.

Objection had been taken to the measure by some of the members on the ground that Government took power to pry into the commercial secrets of private factories. This was not a proper view to take. A State which engaged the services of an expert like Dr. Coleman needed no such means to learn anything afresh; if at all, power was taken to call for reports and returns just to see that the factories worked on sound lines, and to give suitable advice and guidance whenever necessary.

From all these points of view, he thought that the measure was most welcome and necessary.

MR. J. MAHOMED IMAM, who also supported the measure, observed that it was advantageous to all concerned. In the case of the sugar industry, there was no permanent protective duty. Protection had been granted for a period of 7 years in the first instance and there was a promise of its extension for another 7 years. So, within 14 years, the industry required to be established and stabilised so that its interests

might not suffer thereafter even without protection. It was therefore incumbent on every one to see that obstacles were not placed in the way of Government securing that object. The tendency of the people was not to do anything original, but to wait till somebody took the lead in any respect and started a concern and then copy it and start rival concerns in the same locality; unhealthy competition was inevitable in such a country, and so, control over the factories was quite necessary in the interests of both the factory owners and the raiyats. As a matter of fact, in British India, within the last year about a hundred or more sugar factories had sprung up and that was why the Simla Conference was convened. At that conference, except the Behar representative, all representatives expressed themselves in favour of legislation to control the working of sugar factories with a view to ensure stabilisation of the industry. Even Madras and Bombay were not against legislation though they had not come to any final decision.

Some member had asked what steps would be taken to secure satisfactory prices for the sugar-cane grower when there was over-production. That was why the idea of zoning had cropped up. To ensure a certain minimum price, the area of operation would be fixed, so that the factory for that area would be compelled to purchase sugar-cane grown within that area at not less than a stipulated rate. That would instil enthusiasm into the hearts of the growers to grow more cane.

He did not agree with some of the members who thought that it was too early to legislate. A belated measure could never be of use to anybody. It was necessary that legislation was introduced immediately on the lines indicated.

MR. H. C. DASAPPA thanked the Second Member of Council for the exhaustive information furnished on the several points involved. He however did not know why, so soon after the conclusion of the labours of the Simla Conference, the Government of Mysore should have brought forward this legislation. If the licensing authority should vest in the Government of Mysore, it might give rise to certain apprehensions because the Mysore Government held 60 per cent of the shares in the sugar factory and were therefore an interested party. In all these matters and in regard to fixing the prices and the area of operation, he said that whatever had to be done should be in a manner free from objection from the non-official point of view.

THE FIRST MEMBER OF COUNCIL said that proper measures could be devised in that regard.

Continuing, MR. DASAPPA said that another apprehension was that overhead charges would go very high. And even before the factory came into being, costly buildings had been erected for the residence of the officers in charge and all these would certainly be taken into consideration in fixing the price. So the price, it was suspected, would be naturally higher than what it would be if a private capitalist established the factory.

The measure was also not an urgent one and might as well be brought up at the next June session, some experience being gained by the working of the factory in the meanwhile. It might be that even though the measure would be voted down, the Government would bring it before the Council and have it passed, because they commanded an official majority. But he would press on the attention of the Government that they alone should not have power to fix the area of operation and the prices at which sugar-cane was to sell. Representatives of cane-growers and non-official public should also be consulted.

In conclusion, he said that the restrictive provisions and especially the section about calling for reports and documents from the factories should be removed and Government should have their own establishments for compiling any information they might need. If these were not agreed to, he said, he would have to oppose the measure.

MR. RAMACHANDRA RAO SINDHIA, in explaining the conditions under which sugar-cane was manufactured in Java, observed that, on account of proper legislation there, as much as 50 tons of sugar-cane was grown on every acre of land; whereas in India, due to the absence of such legislation, not even 13 tons of cane could be grown on the same extent. The reason why Government possessed 60 per cent of the shares was to infuse confidence in the minds of the raiyats and to safeguard their interests and not with a view to make profit for themselves.

One apprehension given expression to by more than one previous speaker was that factory owners might make their fortune at the expense of the raiyats. To dispel such an impression, he suggested giving a rebate to the raiyats if the profits exceeded a certain percentage. If that was done, he thought everybody would agree to the measure.

He also agreed that the industry should be nationalised. Government should help and encourage the industry, as in foreign countries. There was no industry in foreign countries which did not enjoy the Government's encouragement; in

fact, the factories concerned had come into being only with the help of the Governments concerned. He was very glad that Government had taken the initiative in respect of the sugar industry and would be gladder if all other industries were also nationalised.

With these words, he supported the measure.

In replying, the SECOND MEMBER OF COUNCIL observed that as the measure under consideration had been discussed at great length, it needed no elaborate explanation on his part again. He first thanked those who had given their support to the measure. He particularly rejoiced to see that a prominent industrialist like Mr. Ramachandra Rao Sindhia had supported the measure, and his support was all the more valuable because he himself had started many factories and had a vast experience of their working. Of course the speaker would have been very glad if Mr. Subbarama Chetty also had supported the measure. But probably he did not know certain aspects of the measure well enough and so he might have opposed it. And some other members who had also opposed it must have been labouring under a similar disability. He would however assure them that there was no need for any such misapprehensions. The Government's intention was that the raiyats should be helped as far as possible, and there was no difference of opinion about the *bona fides* of the Government.

Certain members had stated that Government held 60 per cent of the shares in the concern, and therefore it was more or less a Government concern, and so they had entertained the fear that the factory would not proceed on right lines. There could be no reason for such fear. In fact, for the very reason that Government held 60 per cent of the shares, they took so much interest in the formation of the factory and they would surely take care to see that they proceeded on right lines.

The objects of the Bill had been clearly explained in the statement supplied to the House. Licensing of factories and fixation of minimum price were two important aspects of the proposed legislation. Some feared that licensing would stand in the way of the required number of factories springing up. But that power was taken merely to prevent the starting of factories indiscriminately and not with the object of reducing the number of factories for its own sake.

Next, about the fixation of the price at which sugarcane should be purchased by a factory, Mr. Subbarama Chetty had said that it would not be practicable to do so. On that point, the speaker invited attention of the House

to one sentence from the sub-committee's report of the Simla Conference at which all the experts in India were present, *viz.*,—

"It is now well recognised that the determination and notification by Government of a minimum price for cane, based on the ascertained price of sugar, would present no grave difficulties . . . . ."

That was the unanimous opinion of the sub-committee on the question of fixation of price.

There was another thing that required to be said in this connection. Some members thought that legislation at present would be too early. To that his only reply was that Mysore was a Model State and should therefore always try to lead the way. This was an attempt in that direction.

The proposed measure would not cause any hardship to anybody. Some members apprehended that private factory owners would be inconvenienced by it. Far from it. In fact, he had made enquiries of a sugar factory at Madras and he had been told that the price recommended to be fixed in the case of sugar-cane in Mysore was the price they had been paying to the raiyats for the past 30 years; and if that price was inserted in our Regulation, the Mysore raiyat could surely have no grievance about it. If at all, it was only factories that wished to profit at the expense of the sugar-cane growers that might have reason for complaint.

Objection had been taken that the word "sugar" had not been defined. But he thought that there was no necessity to define it. In the Sugar Industry Protection Act of British India, it had not been defined. In the Customs Tariff the term "sugar" had found a place but even there it had not been defined. The only explanation was that it was a well-known commodity and needed no fresh definition.

MR. H. C. DASAPPA enquired whether sugar included jaggery also for purposes of this Regulation.

THE SECOND MEMBER OF COUNCIL replied in the negative.

Then, some others had asked why returns should be submitted by private factories and they objected to Government prying into their trade secrets. But the intention of Government in inserting that clause was far from that. The section was taken from the Sugar Industry Protection Act of 1932 of British India. The Government of India were saying from the beginning that the factories should comply with certain terms, and on that basis alone they had granted protection to the industry. So, that section had to

be included. If it was taken away, protection would be cancelled.

MR. H. C. DASAPPA opined that the Government of India were not interested parties as the Government of Mysore was in respect of factories in Mysore.

THE SECOND MEMBER OF COUNCIL replied that he had thought he had demolished the theory of Government interest. Government had no special interest except the interest of the raiyat.

The only thing that Government should be watchful about was the dumping of sugar from Java which was one of the best organised sugar manufacturers in the world. And for this, he said, Government would have to take separate action.

In conclusion, he said that the representatives of factory owners, cane-growers and consumers would be consulted in the matter of licensing and fixing the area of operation.

MR. V. V. IYER enquired whether small indigenous sugar manufacturing concerns would come under the purview of this Regulation.

THE SECOND MEMBER OF COUNCIL replied that if they did not come under the Factories Regulation, the proposed measure would not apply to them.

The general principles of the Bill were then put to vote and *lost*, 68 voting for and 78 against.

The House then adjourned for the day, to meet again at 12 noon the next day.